Australian Government
Australian Taxation Office

Audits

We conduct audits where we consider a more in-depth examination of the issue is required. Our audit program ranges from relatively quick examinations of source documents to more intensive analysis of complex arrangements and transactions. Whatever the issue, we will be transparent about our concerns. We seek your cooperation so we can complete audits as quickly as possible and give you certainty of your tax and super position.

Most audits are escalated from a verification check or review. However, where it is warranted we may proceed straight to audit without conducting a review. This may happen, for example, in cases involving less complex issues, or where we suspect fraud or evasion, or where an arrangement or transaction is considered high risk.

When we contact you in an audit we want to establish a productive and professional working relationship built on transparency. We will be open with you about what has attracted our attention and provide you with an opportunity to self-correct and provide information where needed.

We will provide a clear escalation point to resolve issues with the ATO. You'll be provided with the contact details of an executive level officer. You should contact this officer if your assigned officer does not meet your expectations or you have any other concern. It's helpful if you also provide us with an escalation point if we need to resolve issues. We will normally examine source documents to verify the accuracy of financial accounting information and the integrity of access controls within your systems.

As is the case with reviews, where our discussions with you and our analysis of additional information are sufficient to explain our concerns, we will end our audit and advise you of the outcomes.

If we identify additional risks during an audit, we may broaden the audit's scope. We will advise you immediately if we decide to broaden the scope of an audit.

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See also:

- Tax assurance engagements (/General/building-confidence/privately-owned-and-wealthy-groups/excellent-working-relationships?anchor=Taxassurancethroughtailoredengagement#Taxassurancethroughtailoredengagement)

Typical audit process

In an audit, we will:

- phone to arrange a suitable meeting time
- follow up with written confirmation including a meeting agenda outlining key issues for discussion and a draft audit management plan.

At the meeting, we will be transparent about:

- the audit scope, the periods under audit and the expected completion date
- our risk hypothesis and information required to assess this hypothesis
- your choice of channel for providing information
- how we will conduct the audit, including key milestones and relevant guidelines
- the advantages of, and procedures for, making voluntary disclosures
- our expectations of you when we request information or records
- the circumstances in which you can expect us to use our formal access powers.

These discussions will be formalised in an updated audit management plan, which we will provide after the meeting.

The audit management plan will contain contact details of an executive level officer. You should contact this officer if your assigned officer or the audit team does not meet your expectations or you have any other concern.

During the audit

We will keep you fully informed of the audit’s progress. At any stage during an audit, we are open to exploring opportunities for alternative dispute resolution as a cost-effective means of avoiding potential legal disputes.

Information gathering and record keeping

Your cooperation in being transparent and providing the full facts and supporting evidence quickly will help us determine our position and provide you with certainty as soon as possible.

The Australian tax and super laws require you to keep records to support your claims. These records include documents that evidence an intention, election, choice, estimate, determination or calculation. For these purposes 'documents' include computer files and other electronic information.

The information we require varies from case to case. When we initially engage you, we will clearly outline our concerns and discuss our information requirements. To reach a position on complex matters, we may need to examine substantial amounts of information.

Cooperative approach

We generally prefer to contact you prior to making our information requests using a cooperative approach. By working with you in this way, we can build good working relationships and minimise cost and disruption.

A cooperative approach does not usually involve the use of our formal powers. However, we may use our formal powers at the outset in certain higher-risk situations, including:

- where we are requesting information about third parties (including related parties)
- cases involving potential tax avoidance
- where you have a history of not voluntarily providing the required information
- where you request that we use formal powers.

Our formal powers

Our formal powers fall into the two broad categories:

- Notice powers require you to give information, attend and give evidence or produce documents.
- Access powers give us full and free access to places, books and documents. They also require reasonable assistance be given to our officers in exercising these powers. We will generally arrange the exercise of these powers with you in advance except in exceptional circumstances, such as where there is a reasonable suspicion of risk of destruction of documents or more serious breaches of the law.

Additional information gathering for privately owned and wealthy groups

Private group structure questionnaire

Private groups generally do not have the same disclosure requirements as public groups. This absence of publicly-available information and the sometimes complex nature of private group structures may require us to gather additional information to fully understand your tax affairs. We do this by asking you to complete a private group structure questionnaire (/Calculators-and-tools/Private-group-structure-questionnaire/) or you can provide us with pre-existing information about your private group structure.

This questionnaire requests the full details of all private entities associated with you, your family members or other associates. Your response will help us understand your group structure.

The questionnaire was co-designed with taxpayers and advisers to help minimise compliance costs.

Expanded income tax returns

In certain higher risk circumstances we may ask you to lodge an expanded income tax return (/Forms/Expanded-tax-return-lodgment-information/). This may happen, for example, when we perceive a risk of ongoing non-compliance or where we identify risks associated with significant transactions.

These returns provide us with more detail about your income tax position and your associated entities. The additional disclosure helps us better understand your business and informs our risk assessment.

See also:

- Our approach to information gathering (/About-ATO/Access,-accountability-and-reporting/In-detail/Our-approach-to-information-gathering/)
- Taxpayers' charter - fair use of our access and information gathering powers (/about-ato/about-us/in-detail/taxpayers--charter/taxpayers--charter---fair-use-of-our-access-and-information-gathering-powers/)
- Computer assisted verification fact sheet for businesses (/Print-publications/Computer-assisted-verification-fact-sheet-for-businesses)

Determining and communicating our position in writing

During the latter stages of an audit it is our usual practice to provide you with a position paper that clearly explains our position and gives you an opportunity to comment before we finalise the audit.

A position paper sets out:

- the available facts (which we will endeavour to agree with you first)
- our application of the relevant law to the facts
- details of any proposed assessments arising from the audit
- details of who to contact to discuss the matter.

In determining our position we will research the law, taking note of any pre-existing ATO views. We will give full consideration to your position and supporting arguments. Where we disagree with you, we will explain why. We will also provide opportunities to explore alternative dispute resolution (/General/building-confidence/privately-owned-and-wealthy-groups/tailored-engagement/resolving-disputes?anchor=Alternativedisputeresolution#Alternativedisputeresolution) as a cost-effective means of avoiding potential legal disputes.

In complex cases we will engage in ongoing and transparent communication with you as our view develops.

To help determine our position, we sometimes engage external experts such as industry specialists, valuers, economists and legal counsel.

In some complex or sensitive cases we will appoint a specialist or case leader to help resolve issues.

We will give you an opportunity to comment and we will consider your comments before making our final decision, including request for an independent review.

For large privately owned and wealthy groups with a turnover of more than $250 million we will consider requests for an independent review of the statement of audit position (/General/Dispute-or-object-to-an-ATO-decision/In-detail/Avoiding-and-resolving-disputes/Independent-review/Independent-review-of-Large-Business-and-International-Statement-of-Audit-Position/?anchor=Independentreview#Independentreview) prior to making our final decision.

If we intend to amend your assessment

If we intend to amend your assessment we will usually advise you beforehand.

In some higher-risk and limited circumstances, we may not contact you before assessments are issued. This might happen where there is the potential for dissipation of assets, or where such advice could compromise the investigation of another agency.

You can make a submission for reduction or remission of penalties or interest charges (/General/building-confidence/privately-owned-and-wealthy-groups/tailored-engagement/penalties-and-interest).

Finalising the audit

We will advise you of the audit's outcome in writing and offer a final interview to discuss any penalties and interest charges.

We will also send you audit-finalisation correspondence within seven days of reaching our final decision.

Next:

- Making sure we get it right (/General/building-confidence/privately-owned-and-wealthy-groups/tailored-engagement/tax-assurance-when-we-identify-a-potential-risk/making-sure-we-get-it-right)

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Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.